



PUBLIC MEETING

Utah Committee of Consumer Services

Utah Department of Commerce

June 13, 2007



Administrative Matters

Dee Jay Hammon



Public Comment



Closed Meeting

Pursuant to Utah Statute,
Section 52-4-205 (1)(a); discussion of
the character, professional
competence, or physical or mental
health of an individual



Update: Consultant Contracts

Michele Beck



Update: Consultant Contracts

Renew/Renegotiate Two Contracts

- Nancy Kelly
- Tom Norris



Update: Consultant Contracts

Nancy Kelly's Contract

- Contract expires 6/30/07
- Option to renew through 12/31/08
- Some implementation needs to be changed
- Assignments and oversight of work needs to be clarified and/or redefined



Update: Consultant Contracts

Nancy Kelly's Expertise

- Institutional history and experience with several issues important to consumers
 - MSP
 - IRP
 - Regional market and transmission issues
- Background in economics
- Solidly consumer focused



Update: Consultant Contracts

Nancy Kelly's Updated Assignments

- IRP
 - Participate as assigned within staff team
- MSP
 - More frequent reports, will maintain a key role
- WECC
 - Participate and report on committees that relate specifically to consumers (reliability and supply adequacy topics)
 - Board participation as own entity (not on behalf of CCS)
- Track regional transmission development and participate as requested



Update: Consultant Contracts

Tom Norris' Contract

- Currently subcontracted through Causey Engineering
 - Contract expires 06/14/07
 - We no longer use anyone else under that contract
 - We do intend to continue using Tom Norris
- Recently gave notice to the Committee that he now has his own consulting company



Update: Consultant Contracts

Tom Norris' Expertise

- Recognized expert on gas pipeline issues
 - Licensed pipeline engineer
 - Former VP of largest gas pipeline company in US
- Has provided valuable testimony in the 2004 CO2 case and useful advice in Questar Pipeline issues



Update: Consultant Contracts

Tom Norris: New Contract Issues

- Since Causey Engineering contract is expiring, we should be able to pursue contract directly with him
 - He has confirmed that there are no “non-compete” issues
- His experience and specialization should justify a sole source contract



Update: Consultant Contracts

Recommendations

- Renew Nancy Kelly's contract and renegotiate terms to reflect current assignments and contract implementation
- Pursue a new sole source contract for ongoing work with Tom Norris



Update: Conservation Enabling Tariff (CET)

Dan Gimble



Update: Conservation Enabling Tariff (CET)

CCS Filed Recommendations – June 1st

- Discontinue CET and replace it with a lost revenue adjustment mechanism (LRA) to make the Company whole for revenue losses resulting from its DSM programs
- Commission should direct the Company to address financial challenges resulting from a decrease in usage per customer in its next rate case using either a revenue estimate or a known and measurable revenue adjustment



Update: Conservation Enabling Tariff (CET)

CCS Filed Recommendations (continued)

- If the Commission elects to maintain the CET, then....
 - CET true-ups should exclude customer growth from the equation and only reflect the difference between actual vs. baseline customer usage, and
 - Commission should compensate ratepayers for assuming the full risk of any change to QGC's revenues in making its ROE award in QGC's next rate case.



Update: Conservation Enabling Tariff (CET)

QGC Filed Recommendations – June 1st

- Maintain the CET through full three-year pilot program
- Remove revenue cap of 1% of total GS revenue (approx. \$8 M) that was stipulated by the parties in Sept. 2006
- Revise monthly spread of revenue per customer such that it reflects a three-year average (2005-07) instead of basing it on a single year (2005)



Update: Conservation Enabling Tariff (CET)

DPU Filed Recommendations – June 1st

- Maintain the CET, conditional on QGC actively promoting DSM
- Agrees with Company that monthly revenue spread should reflect a three-year average instead of a single year
- Continuation of the CET beyond the three-year pilot period requires a general rate case to reset base revenues (subsequently, base revenues should be reset at least every four years in a general rate case)



Update: Conservation Enabling Tariff (CET)

UAE Filed Recommendations – June 1st

- Discontinue the CET as a means of promoting energy conservation
- Agrees with the ELCON Report opposing Decoupling



Update: Conservation Enabling Tariff (CET)

SLCAP Filed Recommendations – June 1st

- Prefers an incentive approach to encouraging DSM vs. the CET
- Concerned that low income customers will see an increase in cost through the CET, with little opportunity to participate in DSM programs
- QGC's GS-1 declining block rate structure (commercial priced lower than residential) should be examined to ensure it is consistent with energy conservation goals



Update: Conservation Enabling Tariff (CET)

Case Schedule (Tentative)

The Case Schedule is as follows:

- Technical Conference--July 10, 2007
- Rebuttal Testimony—Aug. 8, 2007
- Surrebuttal Testimony—Aug. 31, 2007
- Hearings--Sept. 18-20, 2007



Blundell Geothermal Plant Project

Reed Warnick



Blundell Geothermal Plant Project

Legal Action Against PacifiCorp

- On October 6, 2005, the Committee and Utah Industrial Energy Consumers (UIEC) requested that the Commission order PacifiCorp to return to Utah ratepayers monies collected from them in rates:
 1. For excess income tax costs; or
 2. To pay costs of the 1999 merger between Pacific Power and Utah Power which were not to be recovered in rates.



Blundell Geothermal Plant Project

Settlement of Legal Claim

- The settlement with MidAmerican Energy Holdings Company (MEHC) and PacifiCorp requires MEHC, among other things, to:
 1. Transfer its ownership interest in Intermountain Geothermal Company (IGC) to PacifiCorp
 2. Add an 11 megawatt heat recovery unit to the existing 25 megawatt (MW) Plant by 4th qtr., 2007
 3. Build a second 25 MW geothermal generation facility at Blundell by 4th qtr., 2009, and add another 11 MW heat recovery unit to new facility--**subject to certain pre-conditions**



Blundell Geothermal Plant Project

Preconditions to Building 2nd Facility

- Congress' extension of the Production Tax Credit (PTC) for such power generation facilities beyond 2007
- Projected cost of construction of the additional facility not to exceed \$3,600 per kilowatt

Blundell Geothermal Plant Project

Pre-Conditions Did Not Materialize

- 11 megawatt heat recovery is scheduled for completion this fall, 2007, BUT...
- March 14, 2007, RMP advised that pre-conditions for proceeding with second unit had not materialized;
 - Costs exceeded \$3600/kilowatt
 - Uncertainty of production tax credit
 - Gave notice they would not proceed with further expansion.

Blundell Geothermal Plant Project

Extension of Settlement Commitment

- June 4, 2007, RMP revised the status
 - Congress may extend the PTC beyond 2007, and possibly even create a special credit for geothermal energy facilities.
 - RMP presented a draft letter agreement that would extend utility's Settlement obligation
 - Maintains \$3600/kilowatt price condition
 - Allows two extra years to make decision (2009 instead of 2007)
 - Allows three extra years to construct the 2nd Blundell unit (2012 instead of 2009)



Blundell Geothermal Plant Project

Extension Settlement Recommendation

- UIEC is willing to agree to the extension.
- Committee staff recommend Committee agree to the extension because:
 1. PacifiCorp's merger obligation to add 1400 MW of renewable energy generation by 2015
 2. Adding additional generation capacity at less than \$3600/kilowatt of cost is very likely a new cost efficient generation resource for utility
 3. Ratepayers only stand to gain, and lose nothing.



Climate Change

Paul Proctor



Climate Change

Background

- Last month, the first presentation in a series began addressing climate change
- Since then, specific policy changes have occurred in Utah



Climate Change

Western Regional Climate Action Initiative

- On May 21, 2007, Utah's Governor entered into the Western Regional Climate Action Initiative (joining WA, OR, CA, AZ, NM) calling for regional collaboration in identifying, evaluating and implementing ways to reduce greenhouse emissions.



Climate Change

Purpose of Regional Collaboration

- The collaboration is to include:
 1. Setting regional emissions reduction goals,
 2. Developing a regional market-based mechanism to measure, value and trade emission reductions, such as a load-based cap and trade program,
 3. Participate in a multi-state tracking, management and crediting for emissions reductions, and
 4. A commitment to independent and collaborative GHG emissions reductions through: renewable energy, energy efficiency, and regional and national climate policies that address climate change.

Climate Change

Premise for Initiative

- The Western Governor's Association (WGA) has declared:
 1. Climate change could severely impact Western states' economies and environment;
 2. Western states are experiencing serious impacts and effects from increasing greenhouse gas emissions; and,
 3. There is a need for local, state, regional and national responses to global climate change, and for consistent approaches to recognize and give credit for GHG emission reductions.



Climate Change

Renewable Portfolio Standard for Utah

- On June 1, 2007, Governor Huntsman announced he will seek to establish a renewable portfolio standard requiring Utah utilities to produce a minimum percentage of electric energy from renewable sources; wind, solar and biomass.
- The Governor will ask his Blue Ribbon Advisory Council on Climate Change to develop this policy.



Climate Change

Utah Greenhouse Gas Inventory & Forecast

- Utah Dept. of Environmental Quality's inventory and forecast of Utah's greenhouse gas (GHG) emissions concluded:
 1. Utah's gross GHG emissions have increased 40% between 1990-2005
 2. Utah's per capita emissions are slightly higher than nat'l avg. (27MtCO₂e compared to 25 MtCo₂e/yr)
 3. Utah's gross GHG emissions for 2020 are projected to be 95% above 1990 levels with electricity generation being the largest contributor

www.deq.utah.gov/BRAC_Climate/docsFinal_Utah_GHG_I&F_Report_3-29007.pdf



Climate Change

What Does This Mean?

- Utah is moving forward with policies that will greatly impact utilities and consumers
- Next in our series of discussions, we will start to examine the consumer impacts of specific policies



Rocky Mountain Power Deferred Accounting Applications

Michele Beck



RMP Deferred Accounting Application

Background

- RMP has three requests pending for deferred accounting:
 - Grid West Loan
 - Transition Costs
 - Powerdale Hydro Facility (new since last discussion)



RMP Deferred Accounting Application

Grid West Loan: Background

- FERC Order 2000 required utilities to “voluntarily” transfer transmission operations to a Regional Transmission Organization (RTO).
- RMP (and other western transmission owners) participated in the development of Grid West.
- RMP’s expenses associated with Grid West participation were included in last rate case, and are not at issue here.



RMP Deferred Accounting Application

Grid West Loan: Background, cont'd

- RMP also voluntarily agreed to fund Grid West through loans to be repaid with interest.
- In April 2006, Grid West disbanded and will be unable to repay
 - Total \$2.7 million in loans and interest
 - Utah's allocation is approximately \$1.1 million



RMP Deferred Accounting Application

Grid West Loan: Issues

- RMP did not request or receive approval for the Grid West loan.
 - RMP has not demonstrated consumer benefits from the loan.
 - Unrecoverable loans should not be charged to ratepayers.
- With a future test year, it is unreasonable for RMP to request recovery of a single ratemaking item when the future is not as anticipated.



RMP Deferred Accounting Application

Transition Costs: Background

- The MidAmerican acquisition of PacifiCorp resulted in a reduction in workforces.
 - Rate case supplemental testimony indicated that employee reductions resulted in \$3.8 million annual cost savings and \$2.7 million severance costs.
 - The Company proposed to amortize the costs over three years.
- Now, RMP seeks authority to amortize additional severance costs (\$ amount protected as confidential data).



RMP Deferred Accounting Application

Transition Costs: Issues

- RMP used a future test year in the last rate case which could have included additional severance costs.
 - RMP and MEHC were aware that additional workforce reductions would likely occur yet decided to continue with the rate case rather than delay the proceeding.
 - Company's under-forecast shouldn't be a ratepayer expense.
- With a rate case black box settlement, it is inappropriate to single out one item to update.



RMP Deferred Accounting Application

Powerdale Hydro Facility: Introduction

- A 6 MW facility is located on the Hood River in Oregon.
- In 1998, RMP applied with FERC for a new license to continue operating the facility.
- Terms and conditions of operations in FERC's 2001 Environmental Assessment made continued operation of the facility uneconomic.
- In 2005, FERC approved a settlement agreement and issued a removal order to cease generation of power on April 1, 2010.



RMP Deferred Accounting Application

Powerdale Hydro Facility: Recent Events

- On November 7, 2006, Powerdale suffered severe damage due to flooding.
- RMP's economic analysis determined taking the facility out of service early was more economic than repairing and operating until 2010.



RMP Deferred Accounting Application

Powerdale Hydro Facility: RMP Request

- RMP requested deferred accounting for two types of costs:
 - Undepreciated net book value
 - Approximately \$8.9 million amortized over three years, to begin the date of the PSC Order
 - Utah's allocation: \$3,549,000
 - Decommissioning costs
 - \$6.3 million total Company amortized over 3 years to begin when new rates are established
 - Utah's allocation \$2,505,000



RMP Deferred Accounting Application

Powerdale Hydro Facility: Issues

- It is reasonable for RMP to be allowed recovery of undepreciated value of plant.
 - The flood was an unforeseen, catastrophic event.
 - All Powerdale depreciation amounts currently in rates must be considered when determining the amount to be recovered in deferred account.



RMP Deferred Accounting Application

Powerdale Hydro Facility: Issues, cont'd

- It is reasonable for RMP to be allowed recovery of reasonably incurred decommissioning costs.
 - Deferred account must be trued up to actual expenses.
 - All insurance payments, salvage, and sale of property should be an offset to decommission expenses (including any tax benefit from donations).



RMP Deferred Accounting Application

Powerdale Hydro Facility: Issues, cont'd

- For both undepreciated net book value and decommissioning costs, additional analysis is necessary.
 - Should amortization period be 3 or 5 years?
 - Should amortization period start now to match costs to the consumers who benefited from the Powerdale power or at the time expenses are incurred?
- Committee staff requested consultant opinion on these issues.



RMP Deferred Accounting Application

Recommendations

- Committee staff recommends that the Committee take the following positions:
 - Oppose the Grid West Loan deferred accounting application
 - Oppose the Transition Cost deferred accounting application
 - Support the Powerdale Hydro Facility deferred accounting application
 - Further direct staff to determine the specific accounting treatment to ensure appropriate treatment to minimize ratepayer impact



Proposed New Utah Area Code Split vs. Overlay

Eric Orton



Proposed New Utah Area Code

Background

- In 1999, area code 801 numbers were diminishing. A solution to the problem was to split area code 801 with new area code 435.
- NANPA (North American Numbering Plan Administration) has projected that Utah area code 801 numbers will be totally exhausted by spring 2009.



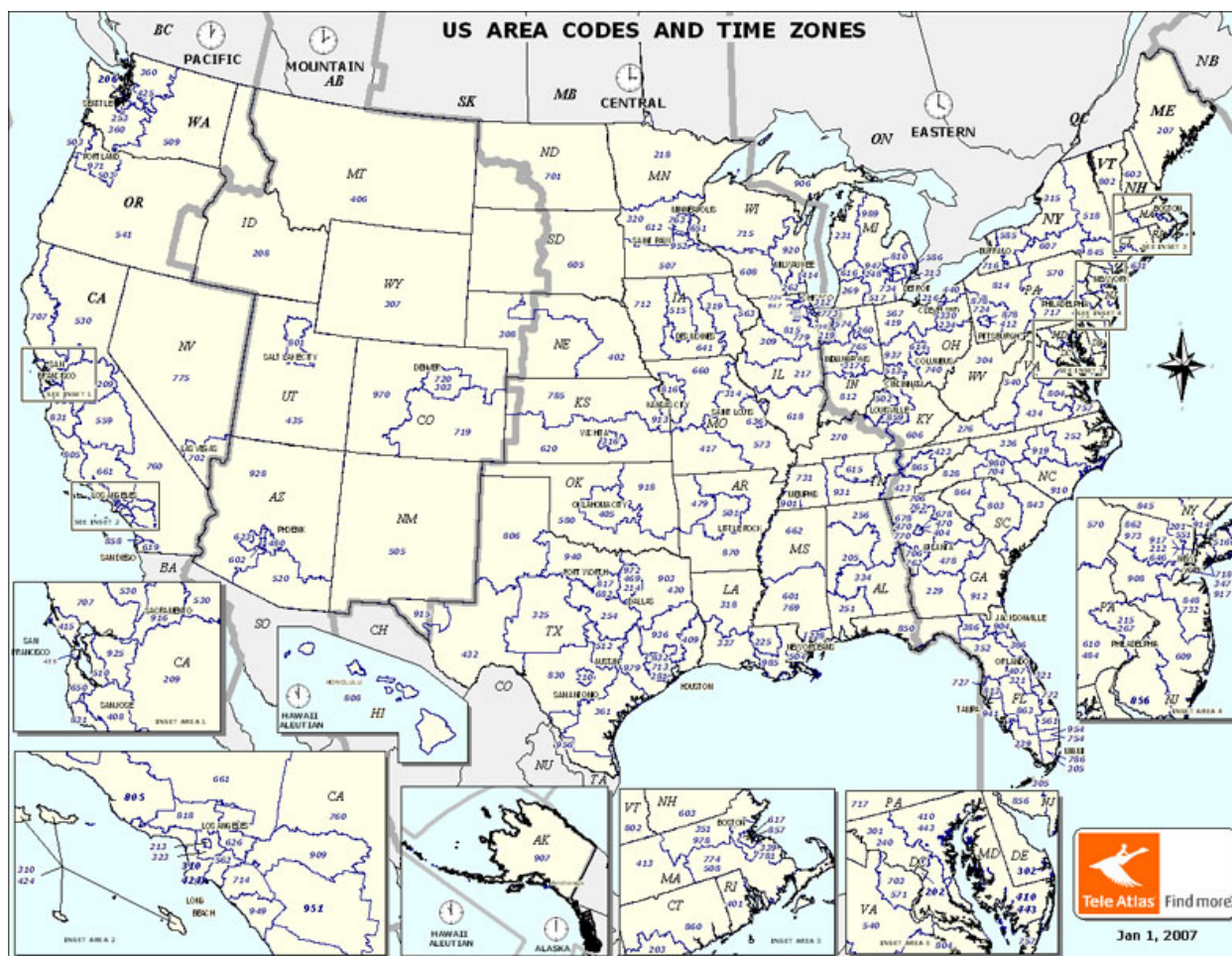
Proposed New Area Code

Related Issues

- Cell phone proliferation: 755k in 2000, 1.1m in 2006
- Population growth throughout the state
- Change from 'home' to 'person/business' number
- New technology advances make Overlay possible

Proposed New Area Code

National Map: No Easy Solution





Proposed New Area Code

Proposals to Resolve Exhausted Area Code

- **Proposal #1: SPLIT**

PSC has proposed a split where SL County residences would keep area code 801 and all other counties, who had 801, will be split into new area code 385.

- **Proposal #2: OVERLAY**

Another option is to have all existing numbers keep the 801 area code and new numbers received the 385 area code.



Proposed New Area Code

Pros/Cons of SPLIT

Pros

- Easily recognizable boundaries
- Some people will keep their current number

Cons

- Some people will have to change their number (about half)
- With the expectations of continued growth, there will always be a “NEXT” split



Proposed New Area Code

Pros/Cons of Overlay

Pros

- Everyone keeps their current area code number
- Only new phone activations get new area code

Cons

- No clear geographic boundaries
- Everyone uses ten digit dialing



Proposed New Area Code

Process and Positions

- PSC requested comments by May 31st
 - DPU and all telecom carriers supported an overlay
 - Public comments supported both sides
 - Committee staff did not see clear benefits to one proposal over another and therefore did not submit comments



Proposed New Area Code

Discussion



Other Business/Adjourn
